

CIRCULAR LETTER

Subject : Administration Procedures of Government Sharia Securities

Following the enactment of Bank Indonesia Regulation Number 10/13/PBI/2008 dated August 21, 2008, concerning Government Securities Auction and Administration (State Gazette of the Republic of Indonesia Number 123 of 2008, Supplement to the State Gazette of the Republic of Indonesia Number 4888) and Minister of Finance of the Republic of Indonesia Decree Number 215/KMK.08/2008 dated August 15, 2008 concerning Designation of Bank Indonesia as the Administration Agent, Payment Agent, and Auction Agent of Government Sharia Securities in Domestic Market and Minister of Finance of the Republic of Indonesia Regulation Number 118/PMK.08/2008 dated August 15, 2008, concerning Issuance and Selling of Government Sharia Securities by Bookbuilding in the Domestic Primary Market, it is deemed necessary to stipulate provisions concerning Administration Procedures of Government Sharia Securities in a Bank Indonesia Circular Letter as follows.

I. GENERAL PROVISIONS

Terminologies used in this Circular letter are defined as follows.

1. Government Sharia Securities, hereinafter to be referred to as SBSN, or may be called as Government Sukuk, is a government securities issued under sharia principles, denominated in the rupiah, as an evidence of placement on SBSN assets
2. Minister is the Minister of Finance of the Republic of Indonesia.
3. Bank is a Commercial Bank as referred to in Act Number 7 of 1992

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- concerning Banking as amended by Act Number 10 of 1998 and Sharia Commercial Bank as referred to in Act Number 21 of 2008 concerning Sharia Banking
4. Securities Company is a securities company as referred to in Act Number 8 of 1995 concerning Capital Market, conducting business as securities underwriter.
 5. Party is an individual person or an organized group of persons and/or properties either incorporated as a legal entity or no legal entity.
 6. Selling Agent is a securities company designated by the Director General of Debt Management on behalf of the Minister to conduct selling of SBSN by Bookbuilding.
 7. Bookbuilding is a SBSN selling to the Party through Selling Agent, where the Selling Agent shall collect buying orders in a stipulated offering period.
 8. Buying Order is a submission of SBSN buying instruction by the Party to Selling Agent in a stipulated offering period which has been announced in advance.
 9. Memorandum Information is a written information concerning SBSN offering to the Party.
 10. Bank Indonesia-Real Time Gross Settlement System, hereinafter to be referred to as BI-RTGS System, is a system for electronic fund transfer among BI-RTGS System members in the rupiah with settlement in real time per transaction on individual basis.
 11. Bank Indonesia - Scripless Securities Settlement System, hereinafter to be referred to as the BI-SSSS, is a system that provides transaction facilities with Bank Indonesia including its administration and electronic securities administration, seamlessly interconnected among Participants, the Operator and the BI-RTGS System.
 12. Administration of SBSN is an activity including clearing and settlement, ownership registration, and payment agent for SBSN yield and nominal

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value.

13. Coupon is a payment which may be in the form of rental fee, profit sharing, margin, or other forms of payment referring to SBSN issuance contract, extended to SBSN holder up to the end of SBSN period.
14. Sub-Registry is a Bank and an institution conducting custodial activities, meeting requirements, and approved by Bank Indonesia to perform function in the administration of securities including SBSN for customers.
15. Nominal Value is a value of SBSN on behalf of Bank and/or Sub-Registry registered in the BI-SSSS.
16. Delivery Versus Payment, hereinafter to be referred to as DVP, is a securities transaction settlement where securities settlement and fund settlement are conducted simultaneously in Bank Indonesia through the BI-RTGS System.
17. Free of Payment, hereinafter to be referred to as FoP, is a SBSN transaction settlement by securities settlement through the BI-SSSS, while fund settlement is not conducted simultaneously with securities settlement or with no fund settlement
18. Business Day is a payment system operating day conducted by Bank Indonesia.

II. ADMINISTRATION PROCEDURES OF SBSN

A. SBSN Issuance Settlement by Bookbuilding in the Primary Market

1. Bank Indonesia shall settle SBSN based on selling results determined by the Minister.
2. SBSN settlement shall be conducted no later than 2 (two) business days after the date of SBSN selling result determination (T+2).
3. Calculation of settlement price per unit of SBSN issued by Bookbuilding shall be based on the price determination method contained in Memorandum Information issued by the Minister, c.q. the Director

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General of Debt Management.

4. SBSN tenor shall be stated in actual days (actual per actual) and counted since 1 (one) day after settlement date up to maturity date.
5. Selling Agent shall be accountable for the settlement of all buying instructions of each Party which have obtained allotment.
6. Based on SBSN selling results determined by the Minister, on 1 (one) business day prior to the settlement date Selling Agent shall input SBSN allotment per investor through the BI-SSSS, including, among other things, SBSN nominal value, paying Bank, and Sub-Registry.
7. Selling Agent shall be accountable for the setting of broker bidding limit by Bank and/or Sub-Registry and settlement limit by paying Bank in the BI-SSSS.
8. Selling Agent shall be accountable for the reliability and completeness of SBSN allotment data per investor inputted through the BI-SSSS as referred to in number 6.
9. Bank Indonesia shall settle SBSN selling results on settlement date by :
 - a. debiting rupiah demand deposit account with Bank Indonesia of Bank for and its own behalf and/or paying Bank for and on behalf of other Party through the BI-RTGS System and crediting rupiah demand deposit account of the Government with Bank Indonesia.
 - b. crediting securities account of Bank and/or Sub-Registry in the BI-SSSS.
 - c. the debiting of rupiah demand deposit account of Bank with Bank Indonesia as referred to in letter a and crediting of securities account in the BI-SSSS as referred to in letter b shall take into account of participation separation between Bank conducting business on conventional basis and Sharia Division activities in the Bank as referred to in Bank Indonesia regulatory provisions concerning the BI-RTGS System and the BI-SSSS.

10. If the balance of the rupiah demand deposit account of Bank and/or paying Bank with Bank Indonesia as referred to in number 9 letter a is inadequate to conduct redemption of the whole or a part of its liabilities up to the BI-RTGS System cut-off warning, the whole SBSN allotment which is settled through Bank and/or paying Bank shall be declared cancelled.
11. Bank Indonesia shall inform the failure in transaction settlement as referred to in number 10 in writing to the Minister, c.q. the Director General of Debt Management.

B. Payment of SBSN Coupon and/or Nominal Value

1. Bank Indonesia shall pay SBSN Coupon and/or Nominal Value based on SBSN ownership position registered in the BI-SSSS on 2 (two) business days prior to maturity date of SBSN Coupon and/or Nominal Value payment (T-2).
2. The payment of SBSN Coupon and/or Nominal Value as referred to in number 1 shall be executed on the maturity date by debiting rupiah demand deposit account of the Government with Bank Indonesia and crediting rupiah demand deposit account of Bank and/or paying Bank with Bank Indonesia at the amount of SBSN Coupon and/or Nominal Value.
3. The crediting of rupiah demand deposit account of Bank with Bank Indonesia as referred to in number 2 shall be executed by taking into account of distinctive membership between Bank conducting business on conventional basis and Sharia Business Unit in the Bank as referred to in Bank Indonesia regulatory provisions concerning the BI-RTGS System.
4. On the day of SBSN Coupon and/or Nominal Value payment by Bank Indonesia, the Sub-Registry is required to forward the payment of SBSN Coupon and/or Nominal Value to investor registered in the Sub-Registry.

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C. SBSN Transaction Settlement in Secondary Market

Settlement procedures of SBSN transaction in secondary market shall refer to applicable Bank Indonesia provisions regulating the BI-SSSS.

III. CONCLUDING PROVISIONS

Provisions in this Circular Letter shall come into force as of August 21, 2008.

For the public to be informed, it is ordered that this Bank Indonesia Circular Letter be promulgated in the Official Government Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

EDDY SULAEMAN YUSUF

DIRECTOR OF MONETARY MANAGEMENT

DPM